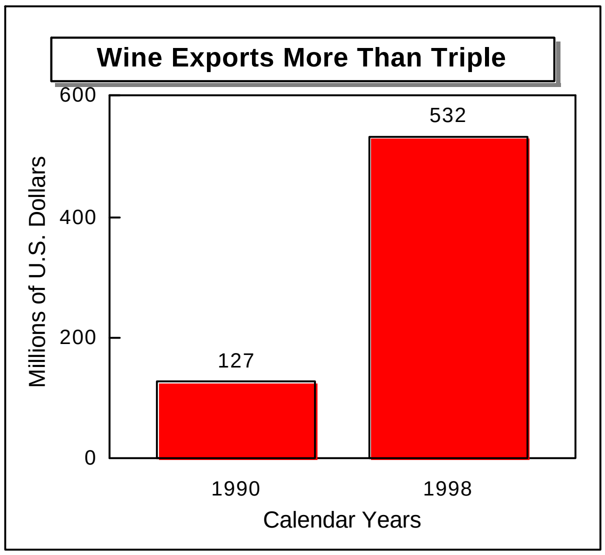
Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service

WTO and Agriculture
What's at Stake for Wine?

October 1999

Future prospects for U.S. wine depend, in part, on the ability of the United States to maintain and expand market access, ensure fair competition, and level the international playing field for U.S. producers and exporters. Subsidies, protectionist policies, and tariffs inhibit the competitiveness of U.S. wines. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.



Why Trade Matters for U.S. Wine

U.S. wine exports reached $532 million in 1998, a dramatic 319-percent increase over 1990. In 1997 and 1998, U.S. wines registered their most impressive export value gains in Uruguay (up 1,063 percent); India (up 780 percent); and Saudi Arabia (up 489 percent). Since 1994, U.S. wine exports to the EU have increased each year. The EU accounted for over 50 percent of total U.S. wine exports in 1998. There was also continued growth in U.S. wine exports to other markets such as Chile and Japan, where sales rose by 437 percent and 136 percent, respectively, over 1997 levels.

The U.S. wine industry continues to look to foreign markets to bolster sales, farm-gate prices, and income. In 1998, exports accounted for an estimated 13 percent of U.S. wine production, up from 5.6 percent in 1990. Growth in U.S. wine exports is expected to continue over the next few years, with exports forecast to reach a record $650 million in 1999, up 22 percent from 1998.

How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, lowered tariffs, and reduced unfair competition such as trade distorting subsidies. A few examples follow:

- Under the Uruguay Round:

  - Japan committed to reduce its tariff on U.S. wine from 21.3 percent to 15 percent over 6 years.

  - All countries are required to make technical requirements clearer and to provide greater protection for trademarks.

Why Further Trade Negotiations Are Needed

- Norway, Finland, and Taiwan maintain state or provincial monopolies that restrict the import and sales of U.S. wine. High tariffs are another barrier which restrict U.S. wine exports. In Hong Kong, for example, wine made from grapes is subject to a tariff of 60 percent, whereas Asian wines made from plums, rice, or grains pay only 30 percent. In addition to this very high ad valorem rate, wine shipments are subject to import licensing restrictions, shipment restrictions, removal permits, and additive restrictions. Similar barriers exist in China, Thailand, and Singapore. In Taiwan, the Tobacco and Wine Monopoly Bureau imposes a monopoly tax of $3.62 per liter of wine. The documentation process in Taiwan is also very lengthy and burdensome.

- U.S. wine exports are at a competitive disadvantage in Mexico and other Latin American countries because of assorted trade agreements with third countries that provide preferential treatment for wine trade between member countries. For example, Chile has signed trade agreements with a number of countries, including Bolivia, Colombia, Ecuador, Venezuela, Mercosur members (Argentina, Brazil, Paraguay, Uruguay), and, most recently, Canada. These agreements typically offer preferential or duty-free access for Chilean wine and other products, making it more difficult for U.S. wine to compete in these markets.

- The United States still faces a number of wine trade barriers, such as onerous labeling requirements; marketing restrictions; oenological practices; phytosanitary barriers; and tariffs. The United States and EU plan to enter into negotiations to address these barriers. The EU has agreed to extend derogations for certain wine making practices until 2003. In the past, the EU granted such derogations only on an annual basis. The extended derogation will remove much of the uncertainty faced by importers and exporters at the end of each year.